

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7179

BILL NUMBER: HB 1748

DATE PREPARED: Jan 20, 1999

BILL AMENDED:

SUBJECT: Tax overpayments in economic revitalization areas.

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill provides that a designating body in an economic revitalization area may, by resolution, extend the time period for which a property owner is entitled to an assessed value deduction for overpayments of property taxes during the period in which the property owner was entitled to a deduction.

Effective Date: January 1, 1997 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under this proposal, the local designating body may extend a tax abatement by up to two years under certain conditions. Those conditions include:

- 1) The designating body approved an economic revitalization (ERA) deduction for the taxpayer;
- 2) The taxpayer has fulfilled all expectations concerning jobs and investment; and
- 3) The taxpayer overpaid property taxes where the ERA is located.

Under these conditions, the designating body may resolve to extend an additional tax abatement that in each of the two years would be equal to the AV of the new manufacturing equipment in the year installed times the percentage needed to generate a tax reduction equal to one-half of the overpayment. The State Tax Board would review and verify the correctness of the deduction amount. The ability to extend this additional deduction expires at the end of CY 1999.

In cases where a taxpayer paid the property tax on the AV in question but the AV was not added to the tax

rolls, the local taxing units would have received greater revenues than expected (tax collections over 102% of the levy go to reduce the following year's levy). In cases where the AV was not added to the tax rolls, the tax units received the normal amount of tax revenue.

The additional tax abatement that this bill provides would shift a portion of the property tax burden from the taxpayers receiving the additional abatements to all taxpayers in the form of an increased tax rate. Total local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

The number of taxpayers that might qualify for an additional abatement under this proposal is not known. One taxpayer has been identified in Marion County that overpaid approximately \$2.5 million. The additional abatements, if approved by the designating body, would cause a shift estimated at about \$1.25 million each, in CY 2000 and CY 2001. The potential total shift under this proposal is, however, unknown.

State Agencies Affected: State Board of Tax Commissioners.

Local Agencies Affected: Local designating bodies; Taxing units serving ERA areas.

Information Sources: Joe Loftus, Barnes & Thornburg.